

~~Top Secret~~

POLAND: Economic Relations With the West

*Some Polish economists are arguing that economic relations with the West must be improved, but the leadership seems unwilling to follow this advice.*

The economists have contended in a recent series of press articles that Western sanctions are doing serious damage to the economy, that the government's response of depending on the East is unrealistic, and that Poland should take measures that would help persuade the Western countries to ease their sanctions. They argue that sanctions have greatly reduced Poland's access to credits and have blocked economic recovery.

Poland has slashed imports from the West by 43 percent in the first quarter to achieve a trade surplus and make some debt payments. As a result, output of manufactured goods has continued to slump.

The articles also argue that reorienting trade toward the East is merely a "slogan," because of Poland's heavy dependence on Western imports and the lack of substitutes in CEMA. A government study claims that less than 10 percent of industrial materials imported from the West could be replaced by the East. In addition, Poland is not receiving major assistance from CEMA partners, as had been hoped.

Comment: The experts exaggerate the positive effects of an end to Western sanctions, reflecting a belief among many Poles that this would start a flood of new credits. Western lenders are deterred more by Poland's bankruptcy than by sanctions.

Despite the poor results of their economic policies, there is no indication that anyone in the leadership is participating in the debate. Hardliners may believe that the regime went as far as it could to persuade the West to lift sanctions with its "grand gesture" of releasing political internees earlier this month.

Without some move toward improving economic ties with the West, however, Warsaw faces painful choices. The regime probably will be forced to expand its austerity measures--a politically risky approach when the population is already adjusting to a substantial drop in living standards.

~~Top Secret~~

28 May 1982

Approved for Release

Date AUG 1999

474